

BUTZEL, LONG, GUST, KLEIN & VAN ZILE

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JONATHAN B. HARRIS
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LESLIE W. FLEMING
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DELMER C. GOWING, III
JOHN P. HANCOCK, JR.
BARBARA E. SCHLAFF
GEORGE E. KUEHN
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ROBERT L. SPANGLER
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D. STEWART GREEN

1881 FIRST NATIONAL BUILDING

DETROIT, MICHIGAN 48226

(313) 963-8142

CABLE ADDRESS - "STARZEL"

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RECORDATION NO. 9803 Filed 1978

OCT 26 1978 8 35 PM

INTERSTATE COMMERCE COMMISSION

Detroit Office
October 24, 1978

No. 8-239A121
Date OCT 26 1978
Fee \$50.00

ICC Washington, D. C.

Interstate Commerce Commission
Twelfth and Constitution Avenues, N.W.
Washington, D. C. 20423

Attention: Ms. Mildred Lee
Room 1227

Re: Lake Superior & Ishpeming Railroad Company
Creation of Security Interest in Favor of
The Cleveland Trust Company

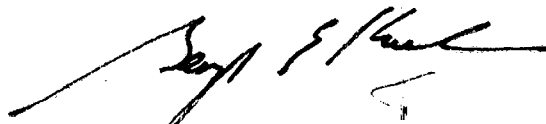
Dear Madam:

Enclosed for recordation are three copies of a Security Agreement, dated October 24, 1978, between Lake Superior & Ishpeming Railroad Company, 105 East Washington Street, Marquette, Michigan, 49855, and The Cleveland Trust Company, 900 Euclid Avenue, Cleveland, Ohio, 44101. Also enclosed is a check in the amount of \$50.00 to cover the applicable recordation fee.

Please return an acknowledgment copy of the Security Agreement to the undersigned.

Very truly yours,

BUTZEL, LONG, GUST, KLEIN & VAN ZILE


George E. Kuehn

FEE OPERATION BR.
I.C.C.
OCT 26 3 29 PM '78

RECEIVED

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Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

10/27/78

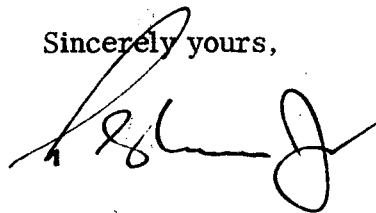
OFFICE OF THE SECRETARY

George E. Kuehn
Butzel, Long, Gust, Klein & Van Zile
1881 First National Building
Detroit, Michigan 48226

Dear Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on 10/26/78 at 3:35pm
and assigned recordation number(s) 9803 & 9802

Sincerely yours,



H.G. Homme, Jr.,
Acting Secretary

Enclosure(s)

SE-30-T
(2/78)

OCT 26 1978 10 55 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

(Road Equipment of Railroad Subject to I.C.C.)

The undersigned LAKE SUPERIOR & ISHPEMING RAILROAD COMPANY (herein called "Carrier"), a Michigan corporation, hereby requests THE CLEVELAND TRUST COMPANY (herein called "Bank") to deposit four million dollars (\$4,000,000) to the credit of any commercial account carried by Carrier at any office of Bank. To induce Bank to deposit that amount to the credit of Carrier's account as aforesaid, Carrier hereby represents and warrants to and agrees with Bank as follows:

1. (DEFINITIONS) As used herein,

1.1. "first advance" means the aforesaid deposit to the credit of Carrier's account;

1.2. "advances" means, collectively, (a) the first advance, (b) each additional money liability or other money obligation assumed by Carrier in this security agreement and (c) each additional payment, if any, made by Bank pursuant to this security agreement;

1.3. "debt" means, collectively, all indebtedness incurred by Carrier to Bank pursuant to this security agreement and includes, without limitation, the principal and interest on all advances hereunder and each extension, renewal or refinancing thereof in whole or in part;

1.4. "chattels" means, collectively, (a) the items of personal property described or referred to in the "Schedule of Collateral" following the signature page of this security agreement (which "Schedule of Collateral" is an integral part of the security agreement), (b) each part, accessory, attachment, addition or other kind of equipment or goods now or hereafter installed in, affixed to or used in connection with that personal property or any thereof and (c) each replacement for the foregoing or any thereof required to be made pursuant to this security agreement; and "chattel" means any one of the foregoing;

1.5. "possible default" means any event, condition or thing which constitutes, or which with the lapse of time or the giving of notice or both would constitute, any event of default hereunder.

1.6. "fair market value" means the fair market sales value which would be obtained in an arms length transaction between an informed and willing buyer-user (other than a used equipment or scrap dealer) and an informed and willing seller under no compulsion to sell or lease.

2. (WARRANTIES) Carrier hereby represents and warrants to Bank as follows:

2.1. Carrier is a duly organized and validly existing corporation under the laws of Michigan and is not required to be qualified or licensed as a foreign corporation authorized to do business in any jurisdiction.

2.2. No registration with or approval of any governmental agency of any kind is required for the due execution and delivery or for the enforceability of this security agreement other than the recording of this security agreement with the Interstate Commerce Commission to perfect the security interest granted herein. Carrier has legal power and right to enter into this security agreement and to perform and observe all provisions hereof. Carrier's officers executing and delivering this security agreement have been duly authorized to do so and, when so executed and delivered this security agreement will be valid and legally binding upon Carrier in every respect. By entering into and performing and observing the provisions of this security agreement, Carrier will not violate any existing provision of its articles of incorporation or by-laws or of any applicable law or governmental regulation or violate or otherwise become in default under any existing contract or other obligations binding upon Carrier.

2.3. No litigation or proceeding is pending or threatened which might, if successful, adversely affect Carrier to a substantial extent other than the Superior Public Rights litigation, litigation involving the deaths of two employees, as more fully described in a letter heretofore delivered to Bank from Messrs. Foster, Swift & Collins, P.C. of Lansing, Michigan and referred to in subsection 4.9 of a credit agreement dated as of September 17, 1976 among Company, Bank and National Bank of Detroit, and the Interstate Commerce Act litigation involving The Cleveland Cliffs Iron Company, Upper Peninsula Generating Company and others. The Internal Revenue Service has not alleged the nonpayment or underpayment of any tax by Carrier or threatened to make any assessment in respect thereof.

2.4. Carrier is the sole and absolute owner of each chattel. Carrier has not entered into any other security agreement in respect of the chattels or any thereof and there exists no title, security interest, lien or other claim of any kind in or to the chattels or any thereof other than Bank's security interest established hereunder and a security interest in certain of the chattels established pursuant to a security agreement dated as of September 17, 1976 by Carrier and National Bank of Detroit as security agent for itself and Bank.

2.5. Carrier has delivered to Bank complete and correct copies of its statements of financial condition as at the end of each of the last five fiscal years and copies of the related statements of income, retained income and changes in financial position for the fiscal years then ended, all certified by independent public accountants of recognized national standing. Such financial statements are complete and correct, have been prepared in accordance with generally accepted accounting principles, consistently applied (except as stated therein), and fairly present the financial position of Carrier as at the respective period indicated. Since December 31, 1977, there has been no material adverse change in the financial condition of Carrier or any subsidiary of Carrier and none of their respective properties or assets have been materially adversely affected as a result of any occurrence or development, whether or not insured against.

2.6. No possible default exists under this security agreement nor will any possible default occur upon execution and delivery hereof or by reason of Carrier's performance and observance of the provisions hereof.

3. (FIRST ADVANCE) The first advance shall be repayable in forty-five (45) consecutive quarterly installments of principal and interest due on March 25, June 25, September 25 and December 26 of each year commencing on the first such date in the month of June after the first advance. All but the last of such installments shall be in the amount of one hundred forty-three thousand eight hundred seventy-one and 33/100 dollars (\$143,871.33) which shall be applied first to interest and then to principal and the last installment shall be in the amount of the remaining principal balance together with accrued interest thereon. Prior to the time that the first installment of principal and interest is due, Carrier shall make payments to Bank of accrued interest only at the rate specified in the next succeeding sentence on each date of March 25, June 25, September 25 and December 26 which is prior to the first installment. In determining the installments of principal and interest, interest has been computed at the rate of nine and one-half per cent (9-1/2%) per annum on the basis of a year having three hundred sixty (360) days. If there shall occur or exist an event of default hereunder, the then principal balance and accrued interest on the first advance shall, thereafter until paid, bear interest at the rate of ten and one-half per cent (10-1/2%) per annum computed on the basis of a year having three hundred sixty (360) days. In the event of such change in the interest rate, the installments of principal and interest shall thereafter be increased to reflect the higher amount of interest which shall thereafter accrue for the term of the advances.

4. (COLLATERAL) Carrier agrees that Bank shall at all times have, and hereby grants to Bank, a security interest in the chattels as security for the debt.

5. (NEGATIVE COVENANTS) Carrier agrees that, without in each case first obtaining Bank's written consent, Carrier will not at any time (a) grant any security interest in or create any other lien of any kind on the chattels or any thereof other than the security interest hereby granted to Bank and the lien referred to in subsection 2.4 hereof, (b) lease, sell or otherwise dispose of the chattels or any thereof, (c) abandon, conceal, injure or destroy the chattels or any thereof or deface any identifying mark thereon, (d) allow the name of any person or entity, other than Bank and Carrier, to be placed on any of the chattels as a designation which might be interpreted as a claim of ownership, security interest or other right other than the marking required pursuant to section 4.8 of the security agreement referred to in subsection 2.4 hereof or (e) use the chattels or any thereof in violation of any law or governmental regulation.

6. (AFFIRMATIVE COVENANTS) Carrier agrees at all times (a) to repay the principal of, and to pay interest on, the first advance in accordance with the provisions of section 3 hereof, (b) to maintain each of the chattels in as good condition and repair as it now is (reasonable wear excepted), all at no cost or expense to Bank, (c) to pay promptly every tax or assessment imposed on the chattels or any thereof, the use thereof, the debt or any part thereof or this security agreement, provided that no such tax or assessment shall be paid if and so long as the same is being contested in good faith by appropriate proceedings promptly initiated and diligently pursued and such reserve or other appropriate provision, if any, as shall be required by generally accepted accounting principles shall be made therefore, (d) to satisfy any lien that may be impressed upon the chattels or any thereof before such lien or any obligation secured thereby becomes in default in any manner, (e) to comply with all applicable laws and governmental regulations pertaining to the chattels or the manner of using or operating

the same and, if any applicable law or regulation shall require any change, replacement or addition of any kind in or to the chattels or any thereof, to notify Bank thereof promptly in writing and promptly effect each required change, replacement or addition; (f) to cause each side of each of the chattels to be conspicuously marked "The Cleveland Trust Company, Secured Party" in letters not less than one inch in height; (g) to keep the chattels numbered with Carrier's identifying road numbers as set forth in the schedule of collateral following the signature page hereof and, in each case before making any change or permitting any change to be made in any identifying road number, to notify Bank hereof in writing and to record or file an appropriate statement thereof in each public office where this security agreement shall have been recorded on file, (h) promptly upon each written request of Bank to pay all costs and expenses of perfecting Bank's security interest hereunder and verifying its priority, (i) to permit Bank to inspect the chattels at the then existing locations thereof, (j) to give Bank such information in writing about the location, physical condition and general use of each chattel as Bank may from time to time reasonably request, (k) to defend, indemnify and save Bank harmless from and against any out-of-pocket expense, cost, loss and liability, if any, of any kind incurred by Bank in any manner in respect of the chattels or by reason of this security agreement, and (l) to give Bank prompt written notice of the occurrence of any possible default hereunder.

7. (ADDITIONAL PAYMENT OR COLLATERAL) Carrier shall give Bank prompt written notice whenever any chattel or chattels become destroyed, lost or damaged beyond repair (such destroyed, lost or damaged chattels being herein called the "destroyed chattels"). In the event that immediately after any such destruction, loss or damage the aggregate fair market value of the chattels is not at least equal to the replacement amount, Carrier shall, at Carrier's option, either

(a) replace the destroyed chattels (such replacements being herein called the "substituted chattels") as follows:

(i) with substituted chattels equal in number to the destroyed chattels and which either are of the same or later year of manufacture as the destroyed chattels or are completely rebuilt equipment of the same or costlier type as the destroyed chattels and in the same or better condition as the destroyed chattels, or, at Carrier's option,

(ii) with any number of substituted chattels of the same general type as the destroyed chattels and which have a fair market value which is, when added to the fair market value of the chattels immediately after the time of such destruction, loss or damage, at least equal to the replacement amount; or

(b) pay Bank in cash for application to the principal of the advances an amount equal to

(i) the amount by which the replacement amount exceeds the fair market value of the chattels immediately after the time of destruction, loss or damage, or at Carrier's option,

(ii) an amount bearing the same ratio to the then unpaid principal balance of the advance as

(x) in the case of chattels which are not substituted chattels, the aggregate value of the destroyed chattels (as set forth in the schedule of collateral attached hereto) bears to the aggregate value of the chattels as set forth on the said schedule, namely \$ 20,507,500 or

(y) in the case of substituted chattels, the aggregate value of the chattels set forth in the attached schedule the destruction, damage or loss of which in the original instance caused the substituted chattels to be substituted therefore (whether by substitution for the original chattels or in substitution of substituted chattels for the original chattels) bears to the aggregate value of the chattels as set forth in the said schedule, namely \$ 20,507,500.

For purposes of this section 7 "replacement amount" means the principal amount of all section 7 debt secured by the chattels plus four million two hundred thousand dollars (\$4,200,000); provided, however, that if Bank releases collateral pursuant to section 13 hereof, "replacement amount" shall mean the principal amount of all section 7 debt secured by the chattels plus one million two hundred thousand dollars (\$1,200,000), "Section 7 debt" means, collectively, all indebtedness owing by Carrier to any person or institution at the time in question now or hereafter owing by Carrier to Bank, whether owing only by Carrier or by Carrier with another or others in a several, joint or joint and several capacity, whether owing absolutely or contingently, whether created by note, advance, overdraft, guaranty of payment or other contract or by quasi-contract, tort, statute or other operation of law; provided, however, that section 7 debt shall not include debt incurred by Carrier to Bank pursuant to a security agreement dated October 24, 1978, providing for a first advance of six hundred seventy-four thousand nine hundred fifteen and 60/100 dollars (\$674,915.60); Carrier shall execute and deliver to Bank a security agreement which shall grant Bank a security interest in each such substituted chattel as security for the debt and (except for necessary changes in dates and in reference to the debt and the collateral) which shall be in the same form and of the same substance as this security agreement. In the event of a payment on the advances by Carrier pursuant to the immediately preceding clause (b), the amount of the installments shall remain the same and shall not be reduced to reflect the lower amount of interest which will thereafter accrue for the term of the advances.

8. (ADDITIONAL ADVANCES) Carrier agrees that if Carrier shall fail or omit to perform or observe any obligation imposed upon Carrier by this security agreement or by any other contract pertaining to the chattels or by any indebtedness of Carrier pertaining to the chattels or by operation of any law pertaining to the chattels, Bank shall have the right (but not the duty) to perform each such obligation on behalf of Carrier and at Carrier's cost and expense; and each payment made by Bank in performing such an obligation shall, together with interest thereon at the rate of 9-1/2% per annum, constitute a part of the advances and a part of the debt and shall be secured by the chattels pursuant to this security agreement. In the event of such increase in the advances, the installments of principal and interest on the first advance shall thereafter be increased to reflect the increased amount of principal and interest which will thereafter be required to be paid by Carrier over the term of the advances.

9. (EVENTS OF DEFAULT) Each of the following shall constitute an event of default hereunder, namely,

9.1. The debt or any part thereof shall not be paid in full immediately when due and payable, whether by lapse of time or acceleration of maturity or otherwise.

9.2. Any representation and warranty made by Carrier in or pursuant to this security agreement, or any other information furnished by Carrier to Bank, shall be false or erroneous in any material respect.

9.3. Carrier shall fail or omit to perform and observe any agreement (other than those referred to in subsection 9.1 hereof) contained in this security agreement and shall fail or omit to correct such default within ten days after the giving of written notice of the default to Carrier.

9.4. Carrier shall (a) discontinue business, or (b) make a general assignment for the benefit of creditors, or (c) apply for or consent to the appointment of a receiver, trustee or liquidator for Carrier or of all or a substantial part of its assets, or (d) be adjudicated a bankrupt or insolvent, or (e) file a voluntary petition in bankruptcy or file a petition or an answer seeking reorganization or an arrangement with creditors or seeking to take advantage of any other law (whether federal or state) relating to relief of debtors, or admit (by answer, by default or otherwise) the material allegations of a petition filed against it in any bankruptcy, reorganization, insolvency or other proceeding (whether federal or state) relating to relief of debtors, or (f) suffer or permit to continue unstayed and in effect for sixty (60) consecutive days any judgment, decree or order, entered by a court of competent jurisdiction, which approves a petition seeking reorganization of Carrier or appoints a receiver, trustee or liquidator for Carrier or of all or a substantial part of its assets or (g) take, or omit to take, any action in order to effect any of the foregoing.

10. (ACCELERATION OF MATURITY) If there shall occur or exist any event of default hereunder, other than an event of default referred to in subsection 9.4 hereof, then and in each such case Bank may declare the entire first advance to be immediately due and payable in full, and upon any such declaration the entire principal balance of and accrued interest on the first advance shall forthwith become due and payable in full. If any event of default referred to in subsection 9.4 hereof shall occur, the principal and interest on the advances shall thereupon and thereafter be immediately due and payable (if it be not already due and payable), all without any demand or notice of any kind which are hereby waived by Carrier.

11. (PREPAYMENT) Carrier shall have the right from time to time to prepay in whole or in part any advance made hereunder including the first advance, provided that any such prepayment (a) may be made only (i) on a day on which a quarterly principal installment is otherwise due, (ii) upon payment of such quarterly principal installment plus all interest then accrued upon the principal balance of the advances and (iii) if no default exists with respect to any other indebtedness owing to Bank and (b) shall be applied to the principal of the advances. In the event of such a prepayment the amount of the installments on the advances shall remain the same and shall not be reduced to reflect the lower amount of interest which will thereafter accrue for the term of the advances.

12. (FINANCIAL STATEMENTS AND OTHER INFORMATION) Carrier will deliver (in duplicate) to Bank, so long as any advances shall be outstanding hereunder:

12.1. within forty-five (45) days after the end of each of the first three (3) quarterly fiscal periods of each fiscal year, commencing with the first such quarterly period ending on or after the date hereof, consolidated and consolidating statements of financial condition as at the end of such period, and the related

consolidated and consolidating statements of income, retained income and changes in financial position of Carrier and each of its consolidated subsidiaries for such period and (in the case of the second and third such quarterly periods) for the period from the beginning of the current fiscal year to the end of such period, setting forth in each case in comparative form figures for the corresponding periods of the previous fiscal year, and certified, subject to changes resulting from year-end audit adjustments, by a responsible financial officer of Carrier;

12.2. within one hundred twenty (120) days after the end of each fiscal year, commencing with the first such fiscal year ending after the date hereof, a statement of financial condition of Carrier as at the end of such year, and the related statements of income, retained income and changes in financial position of Carrier for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by the opinion thereon of Ernst & Ernst or such other firm of independent public accountants of recognized national standing selected by Carrier and satisfactory to Bank, which opinion shall state that such financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied (except as stated therein for in such opinion), and fairly present the financial position of Carrier as at the end of such fiscal year and the results of its operations for such fiscal year;

12.3. within one hundred twenty (120) days after the end of each fiscal year, commencing with the first such fiscal year ending after the date hereof, consolidated and consolidating statements of financial condition of Carrier and its consolidated subsidiaries as at the end of such year, and the related consolidated and consolidating statements of income, retained income and changes in financial position of Carrier and its consolidated subsidiaries for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and certified by a responsible financial officer of Carrier;

12.4. together with each delivery of the financial statements of Carrier pursuant to clause (b) above, an officers' certificate of Carrier to the effect that the signers have reviewed the relevant terms of this security agreement and have made or caused to be made under their supervision an adequate review of the transactions and conditions of Carrier during the fiscal period covered by such financial statements and as at the date of such certificate, and that such review has not disclosed the existence, during such fiscal period or as at the date of such certificate, of any condition or event which constitutes an event of default or possible default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action Carrier has taken or is taking or proposes to take with respect thereto;

12.5. within one hundred twenty (120) days after the end of each calendar year, commencing with the calendar year 1978, a schedule prepared by Carrier setting forth the estimated fair market value, as of a recent date, determined on a basis satisfactory to Bank, of each chattel then subject to this agreement;

12.6. promptly upon the request of Bank, an appraisal report prepared by a nationally recognized independent appraisal firm selected by Carrier, but acceptable to Bank, addressed to Bank, setting forth the estimated fair market value, as of a recent date, determined on a basis satisfactory to Bank, of each chattel then subject to this security agreement; provided, that Carrier shall not be obligated to deliver such report upon more than two occasions;

12.7. promptly upon the filing thereof, copies of all regular and periodic financial reports filed by Carrier with the Interstate Commerce Commission or any governmental authority succeeding to any of the functions of such Commission;

12.8. promptly upon receipt thereof, copies of all audit reports submitted to Carrier by independent certified public accountants in connection with each annual, interim or special audit of Carrier or any subsidiary of Carrier made by such accountants;

12.9. promptly upon their becoming available, copies of all reports, proxy statements and financial statements delivered or sent by Carrier to its stockholders generally; and

12.10. with reasonable promptness, such other financial data and information as from time to time may be reasonably requested by Bank.

13. (RELEASE OF COLLATERAL) A portion of the chattels is presently subject to the prior security interest of Bank and National Bank of Detroit pursuant to a security agreement dated as of September 17, 1976 between Carrier and National Bank of Detroit as security agent for itself and Bank. At such time as all of the chattels are subject to no prior liens and the security interest conveyed by the aforesaid security agreement has been extinguished, upon the written request of Carrier, Bank shall release its security interest in that portion of the chattels having a fair market value in excess of the sum of one million two hundred thousand dollars (\$1,200,000) and the principal sum of all advances made hereunder and outstanding on the date such written request is received; provided, however, that Bank shall not be obligated to release any portion of the chattels if either (a) there is a possible default or an event of default hereunder or (b) Carrier has not provided Bank with an appraisal report prepared by a nationally recognized independent appraisal firm selected by the Carrier, but acceptable to Bank, setting forth the estimated fair market value as of a recent date, determined on a basis satisfactory to Bank, of each chattel then subject to this security agreement and demonstrating that the fair market value of the chattels remaining subject to Bank's first lien after the proposed release have a value at least equal to the sum of one million two hundred thousand dollars (\$1,200,000) plus the principal sum of all advances made hereunder and outstanding on the date of Carrier's request. Such appraisal shall be in addition to any appraisal requested by Bank pursuant to subsection 12.6 hereof.

14. (REMEDIES) Carrier agrees that if the debt or any part thereof shall not be paid in full immediately when due and payable, whether by lapse of time or acceleration or otherwise, then and in each such case

14.1. Carrier will, forthwith upon Bank's written request, assemble the chattels (if so required by Bank) at such point or points upon Carrier's lines of railroad as Bank shall request and permit the same to be examined by Bank or by anyone else having Bank's permission to do so; and Bank may, either with or without notice to or demand upon Carrier and either with or without the aid of legal process, make use of such force as may be necessary to enter any premises where the chattels or any thereof may be found and to take possession thereof (including anything found therein that is not specifically described in this security agreement other than freight, each of which findings shall be considered to be an accession to and a part of the chattels) and for that purpose may pursue the chattels wherever the same may be found, without liability for trespass or damage caused thereby to Carrier;

14.2. Bank in its discretion may, with or without recourse to Carrier personally or to any other person or property (all of which Carrier hereby waives) and upon such terms and in such manner as Bank may deem advisable, sell the chattels or any thereof at any time or, from time to time. Bank shall give Carrier not less than ten-days' prior written notice of either the date after which any intended private sale is to be made or the time and place of any intended public sale; but Carrier waives any further or other notice of the sale and also waives advertisement thereof. At each public sale, Bank may purchase the chattels or any thereof free from any right of redemption, which rights Carrier hereby waives and releases. After deducting all proper and reasonable costs, attorneys' fees and other expenses incurred in the premises, including, without limitation, all costs and expenses incurred in pursuing, searching for, taking, repairing, keeping, storing and selling the chattels or any thereof, and after paying all claims (if any) secured by liens having precedence over this security agreement, Bank may apply the net proceeds of each such sale to or toward the payment of the debt (whether or not then due, in such order and by such division as Bank in its discretion may deem advisable).

15. (INTERPRETATION) Each right, power or privilege specified or referred to in section 14 of or elsewhere in this security agreement is cumulative and in addition to and not in limitation of any other rights, powers and privileges that Bank may otherwise have or acquire by operation of law, by contract or otherwise. No course of dealing by Bank in respect of, nor any omission or delay by Bank in the exercise of, any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or of any other right, power or privilege, as Bank may exercise each such right, power or privilege either independently or concurrently with others and as often and in such order as Bank may deem expedient. No waiver, consent or other agreement shall be deemed to have been granted by Bank pursuant to this security agreement or be binding upon Bank unless specifically granted in writing, and each such writing shall be strictly construed. No notice required or permitted to be given to Bank hereunder shall be deemed to have been given unless delivered in writing to the loans and securities department at Bank's main office. Carrier hereby waives notice of the making and depositing of the first advance. This security agreement consists of 12 pages, which pages include a "schedule of collateral" consisting of 2 page(s) following the signature page. Carrier agrees that this security agreement shall bind Carrier and Carrier's successors and assigns and shall benefit Bank and its successors and assigns. The entire agreement between the parties as to the chattels and the debt has been reduced to writing, and no oral agreement (if any) shall be binding. This security agreement and the security interest herein created in the chattels shall terminate upon the payment in full of the principal of and interest on the advances unless any of the other indebtedness then owing by Carrier to Bank in any manner shall be then in default in any manner, in which latter event this security agreement and the security interest shall terminate only upon payment in full of all of the indebtedness. Every notice to Carrier shall be deemed to have been duly given hereunder when sent to Carrier by registered or certified mail at Carrier's address set forth below

or such other address that may have been furnished by Carrier to Bank's loans and securities department for such purpose; provided, that no other method of giving notice to Carrier is hereby precluded.

Dated at CLEVELAND, OHIO, this 24th day of October, 1978.

Address: 105 East Washington Street
Marquette, Michigan 49855

LAKE SUPERIOR & ISHPEMING RAILROAD COMPANY

By: James J. Scully PRESIDENT

and William W. [unclear] SECRETARY

Address: 900 Euclid Avenue
Cleveland, Ohio 44101

THE CLEVELAND TRUST COMPANY

By: William W. Scully, J.P.

and R. E. [unclear], J.P.

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

On this 24th day of October, 1978, before me personally appeared Dennis
Synecky and R.E. Caton, each being personally
known to me and being by me duly sworn, who respectively say that they are the Vice
President and the Vice President of THE CLEVELAND TRUST COMPANY,
that the seal affixed to the foregoing instrument is the corporate seal of that
corporation, the said instrument was signed and sealed on behalf of that corporation by
authority of its board of directors, and they acknowledged that the execution of the
foregoing instrument was the free act and deed of that corporation.

Carolyn B. Gandarela-Mota
Notary Public

My commission expires CAROLYN B. GANDARELA-MOTA
Notary Public For Cuyahoga County, O.
My Commission Expires Dec. 17, 1978

STATE OF OHIO

COUNTY OF CUYAHOGA

)
) SS:
)

On this 24th day of October, 1978, before me personally appeared James J. Scullion and Arthur W. Rossway, each being personally known to me and being by me duly sworn, who respectively say that they are the President and the Secretary of LAKE SUPERIOR & ISHPEMING RAILROAD COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of that corporation, the said instrument was signed and sealed on behalf of that corporation by authority of its board of directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of that corporation.

Carolyn B. Gandarela-Mota
Notary Public

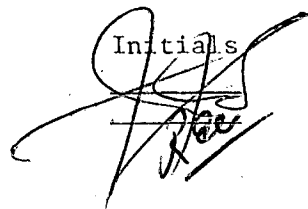
My commission expires

CAROLYN B. GANDARELA-MOTA
Notary Public For Cuyahoga County, O.
My Commission Expires Dec. 17, 1978

| <u>Locomotive Number</u> | <u>FMV Per Latest Appraisal</u> |
|--------------------------|---------------------------------|
| 1604 | \$ 65,000.00 |
| 1608 | 65,000.00 |
| 1801 | 85,000.00 |
| 1802 | 85,000.00 |
| 1803 | 80,000.00 |
| 1804 | 90,000.00 |
| 2300 | 125,000.00 |
| 2301 | 125,000.00 |
| 2302 | 125,000.00 |
| 2303 | 125,000.00 |
| 2304 | 125,000.00 |
| 2400 | 125,000.00 |
| 2401 | 125,000.00 |
| 2402 | 125,000.00 |
| 2403 | 125,000.00 |
| 2404 | 125,000.00 |
| 2405 | 125,000.00 |
| 2500 | 150,000.00 |
| 2501 | 150,000.00 |

Total Value \$20,507,500.00

Initials



DESCRIPTION OF COLLATERAL

I. Ore Hopper Cars Acquired From DM&IR:

| <u>Type of Equipment</u> | <u>Number of Units</u> | <u>Identifying Road Numbers</u> | <u>Unit Value</u> |
|--------------------------|----------------------------|-------------------------------------|-------------------|
| Ore Hopper Cars | 246 | 8754 - 8999 | \$4,475.00 |
| Ore Hopper Cars | 354 | 9646 - 9999 | 4,475.00 |

II. Equipment Also Subject to 1976 Security Agreement:

| <u>Car Numbers</u> | <u>Number of Units 10/23/78</u> | <u>FMV Per Latest Appraisal</u> | <u>Total Market Value</u> |
|------------------------|---|---|-----------------------------------|
| <u>Ore Hoppers</u> | | | |
| 1400 - 1699 | 275 | \$ 5,500 | \$1,512,500 |
| 1700 - 1799 | 96 | 5,500 | 528,000 |
| 1800 - 1899 | 91 | 5,500 | 500,500 |
| 7000 - 7199 | 198 | 5,500 | 1,089,000 |
| 7200 - 7499 | 284 | 6,500 | 1,846,000 |
| 7500 - 7699 | 193 | 7,500 | 1,447,500 |
| 7700 - 7899 | 192 | 9,500 | 1,824,000 |
| 9000 - 9099 | 96 | 5,000 | 480,000 |
| 9100 - 9399 | 295 | 5,000 | 1,475,000 |
| 9400 - 9599 | 195 | 4,500 | 877,500 |
| 9600 - 9644 | 45 | 3,000 | 135,000 |
| 8500 - 8599 | 90 | 15,000 | 1,350,000 |
| 8000 - 8199 | 189 | 12,500 | 2,362,500 |
| <u>Box Cars</u> | | | |
| 2402 - 2486 | 11 | * | |
| 2700 - 2709 | 10 | 25,000 | 250,000 |
| <u>Flat Cars</u> | | | |
| 6200 - 6296 | 31 | * | |
| 6302 - 6372 | 28 | * | |
| <u>Gondolas</u> | | | |
| 6700 - 6745 | 13 | * | |
| 6749 - 6762 | 8 | * | |
| <u>Covered Hoppers</u> | | | |
| #1 and #2 | 2 | * | |
| <u>Cabooses</u> | | | |
| #17 | 1 | * | |
| #19 | 1 | * | |
| #21 to #24 | 4 | * | |

Initials


*For purposes of Section 7, the
Unit Value shall be deemed zero.